



February 4, 2016

Notice of Written *Ex Parte*

Marlene H Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

Over the past year Shawnee Telephone Company has closely followed the progress of the FCC as it adjudicates the above-referenced *Connect America Fund* proceeding. In an earlier *ex parte* letter¹ Shawnee acknowledged that some degree of reform is necessary to achieve the goal of the White House, Congress and the Commission to expand broadband availability to customers in high cost rural areas at service and rate levels comparable to those enjoyed in urban areas.

In the earlier letter, Shawnee noted that it and hundreds of other rural carriers have already built out broadband capable networks to much of their service areas and depend on continued universal service funding to efficiently serve our customers, operate those networks and to service the USDA RUS debt associated with their construction. Shawnee remains concerned that proposed new regulations being circulated by the Commission will actually penalize companies that are ahead of the curve with regard to broadband deployment. That penalty will impact the customers of these carriers as dramatic reductions in support will impair the RLEC's ability to continue to operate the network and pay back the loans that enable the network to be built. At the end of day, dramatically reducing support for the sole reason that a carrier has already done what the FCC is attempting to incent other carriers to do is not consistent with the goal of universal broadband deployment.

One scenario included in the A-CAM 2.1 Illustrative Results (Reference Report Number 4.2) published by the Commission on December 17, 2015 would eliminate model-based funding in rural census blocks where the carrier has already built-out FTTH. Because of this limitation, roughly 100 study areas would experience reductions in support from 2014 levels. There is no dispute that high cost support is necessary to build broadband capable networks in rural areas and that high cost support is equally necessary to continue to operate those networks. Similarly, all acknowledge that the provision of advanced broadband services is critical to the economic survival of rural America. Shawnee believes that any proposal that removes support from an area because a broadband capable network already is built out is inconsistent with the goal it claims to advance. Customers in these areas would be penalized because their serving

¹ See Notice of Written *Ex Parte*, January 15, 2016 letter of Matt Johnson, Vice President – Government Policy, Shawnee Communications, to Marlene H. Dortch regarding *Connect America Fund*, WC Docket No. 10-90.



carrier led the way and already accomplished what the FCC is attempting to induce all other carriers to do.

The 2011 *Transformation Order* explicitly stated that the "reforms will help ensure rate-of-return carriers retain the incentive and ability to **invest and operate** modern networks capable of delivering broadband as well as voice services, while eliminating unnecessary spending that unnecessarily limits funding that is available to consumers in high cost unserved communities." (Emphasis supplied)² Any proposal that reduces support to areas that already have achieved broadband network build out in favor of providing more support to areas that are behind the curve would be devastating to incentives for continued investment in and operation of next generation advanced network facilities. When a rural carrier faces the prospect of losing support upon completion of a broadband network build out and of being left high and dry with respect to ongoing operational and financing costs, there will be a chilling effect on future efforts to sustain and upgrade its broadband facilities, a result that clearly contravenes the Commission's long term goals.

Shawnee understands the Commission's desire to help advance broadband deployment in rural areas that are not already served and that steps need to be taken to control the universal service fund budget. The Company also accepts that all industry participants should be expected to share in any negative impacts resulting from the budget constraints faced by the industry's support programs. Further, Shawnee agrees with the Commission that moving as many RLECs to model-based support and to forms of incentive regulation are in the best interest of consumers in the long run. However, the Company believes that making census blocks where FTTH already has been deployed by the RLEC ineligible for model-based funding is inconsistent with these goals.

In Shawnee's case, making census blocks where it has already deployed broadband ineligible for model-based support has a significant impact on the resulting support. The table below, based on the FCC's Illustrative Results published on December 17, 2015, shows that for Shawnee 4,753 customer locations would receive an annual total of \$7.1 million in model-based support if census blocks in which FTTH already is deployed are *eligible* for model-based funding. On the other hand, when census blocks in which FTTH already is deployed are *ineligible* for model-based funding, only 809 customer locations would be eligible for a total of \$1.6 million in funding.

FCC A-CAM Version 2.1 Results: Shawnee Telephone

Model Run	FTTH CB's Eligible for Support	Census Blocks Supported	Annual Support	2014 Total Support less CAF ICC Support
4.1	Yes	4,753	\$ 7,105,304	\$ 8,849,257
4.2	No	809	\$ 1,584,999	\$ 8,849,257

² *Transformation Order* at ¶ 288.



While Shawnee may be able to absorb a 20% reduction in annual support (from \$8.8 to \$7.1 million) under model-based support, it would not be able to survive an 82% reduction in current support (from \$8.8 million to \$1.6 million).

Shawnee understands the concept that carriers who have already deployed broadband networks under the current system do not necessarily need *more* support than they currently receive. However, we ask the Commission to consider that the purpose of universal support is not just to stimulate the construction of modern telecommunications networks but also to support their continued operation. Shawnee recognizes that under the Commission's proposed reforms the Company would have the option to elect to remain on legacy support options with certain yet to be determined modifications. But in order to make it a real choice between legacy mechanisms and model-based support, the Company believes that the Commission must make those census blocks in which broadband capable networks already are deployed eligible for model-based support -- at least up to the current amount received.

Shawnee acknowledges the Commission's efforts to this point in advancing broadband service in rural areas and appreciates its attention to this correspondence. Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS.

Sincerely,

A handwritten signature in blue ink, appearing to read "Matt Johnson", with a stylized flourish extending to the right.

Matt Johnson
Vice President – Government Policy
Shawnee Telephone Company

cc: Stephanie Weiner
Rebekah Goodheart
Nickolas Degani
Travis Litman
Amy Bender
Matthew DelNero
Carol Matthey
Alex Minard